

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

FOURTH DIMENSION SOFTWARE,
Plaintiff,
v.
DER TOURISTIK DEUTSCHLAND
GMBH,
Defendant.

Case No. [5:19-cv-05561-EJD](#)

**ORDER RE: MOTIONS *IN LIMINE*,
DAUBERT MOTION, AND REQUEST
FOR JUDICIAL NOTICE**

Re: ECF Nos. 74, 131, 133, 135, 136, 142–
146

Presently before the Court are the parties' motions *in limine* ("MIL") and Defendant Der Touristik Deutschland GmbH's ("Defendant") motion to exclude Plaintiff Fourth Dimension Software's ("Plaintiff") expert. ECF Nos. 131, 133, 135, 136, 142–146. On August 15, 2023, the Court held a final pretrial conference and heard the parties' oral arguments on these motions.

The following rulings shall remain in effect throughout all phases of trial but may be revised by the Court at any time.

I. MOTIONS *IN LIMINE*

A. Plaintiff's Motions

Having considered the parties' briefing and oral arguments on these motions, the Court rules on Plaintiff's MILs, as follows:

1. Plaintiff's MIL No. 1

Plaintiff first moves to exclude the deposition testimony of third-party Gudrun Schoen¹ as

¹ Although Plaintiff's MIL No. 1 had sealed Schoen's name, both parties publicly referenced Schoen in the pretrial conference statement (ECF No. 163, at 9) and during the pretrial conference. Case No.: [5:19-cv-05561-EJD](#)

1 a sanction for Defendant’s alleged misrepresentations underlying its request for Schoen’s trial
 2 deposition. Pl.’s MIL No. 1, ECF No. 133. Specifically, Plaintiff accuses Defendant of deceiving
 3 the Court by representing Schoen had suffered one medical emergency when, in fact, Schoen had
 4 suffered another type of medical emergency; whether Defendant’s counsel had contacted Schoen;
 5 and whether Schoen had health concerns that limited travel. *Id.* at 4–5.

6 The Court does not find that the substantial remedy of exclusion is warranted here. First,
 7 Plaintiff’s parsing over the precise cause of Schoen’s medical condition and circumstances of
 8 Schoen’s communications with Defendant is not well-taken. The Court has reviewed the
 9 purported inconsistencies between Defendant’s representations and Schoen’s actual
 10 circumstances, and they do not justify the aspersions casted by Plaintiff. A witness need not be
 11 bedridden before her deposition testimony may be used at trial; indeed, Federal Rule of Civil
 12 Procedure 32(a)(4) permits the use of depositions for any purpose if the witness “is outside the
 13 United States” or “cannot attend or testify because of age, illness, [or] infirmity.” Fed. R. Civ. P.
 14 32(a)(4). Here, there is no dispute that Schoen resides outside of the United States, is of advanced
 15 age, and has suffered a serious medical incident in the past few years. The Court, therefore, does
 16 not find any sanctionable conduct based on the representations Defendant made to Judge Breyer in
 17 obtaining leave to take Schoen’s deposition.

18 Nor does the fact that the deposition was taken after the close of fact discovery require the
 19 total exclusion of Schoen’s testimony. As an initial matter, Judge Breyer had previously found
 20 “good cause” to take Schoen’s deposition outside of the regularly scheduled discovery period, and
 21 the Court here has no occasion or intent to disturb that finding. ECF No. 113. More critically,
 22 despite its concerns over Defendant’s “end-run” around the discovery process, Plaintiff has failed
 23 to identify any prejudice it would experience if Schoen’s deposition testimony were to be
 24 admitted. Plaintiff’s counsel was permitted to—and did—ask questions at Schoen’s deposition,
 25 and Judge Breyer expressly permitted Plaintiff to seek leave for “follow-up discovery after the
 26 witness’s deposition and before trial,” an invitation that Plaintiff has failed to redeem. ECF No.
 27 113. Given that Judge Breyer had previously found good cause to permit the deposition beyond

the discovery deadlines and Plaintiff has failed to show any prejudice it would suffer, the Court finds no basis to exclude Schoen's deposition testimony.

Accordingly, Plaintiff's MIL No. 1 is DENIED.

2. Plaintiff's MIL No. 2

Plaintiff's second MIL seeks to exclude under FRE 401, 403, and 805 certain emails that support Defendant's theory that Plaintiff had brought this suit as an improper attempt to pressure Defendant into changing software systems. Pl.'s MIL No. 2, at 1, ECF No. 135. Defendant seeks to introduce these emails under two theories of relevance: (1) they show Plaintiff's bad faith in filing the present breach of contract action, and (2) they cast doubt on Plaintiff's claim that it only discovered Defendant's conduct around 2015 or 2016. Def.'s Opp. MIL No. 2, at 4, ECF No. 159.

a. Unclean Hands

First, with respect to Plaintiff's Rule 401 objections, the Court finds that the emails at issue are not relevant to Defendant's affirmative defense of unclean hands. As a general matter, a plaintiff's motive for filing suit is not relevant to a breach of contract action, *even if* the defendant asserts an "unclean hands" defense. *Comet Techs. USA Inc. v. XP Power LLC*, 2022 WL 1131729, at *3 (N.D. Cal. Feb. 7, 2022) ("Plaintiffs' motive for filing the suit is not relevant to the unclean hands defense."). "Such a claim would be more appropriately pursued as an action for malicious prosecution, should Defendant[] prevail in the litigation." *Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. (Shanghai) Co.*, 2009 WL 10709718, at *3 (N.D. Cal. Nov. 24, 2009) (citing *FLIR Sys., Inc. v. Parrish*, 174 Cal. App. 4th 1270, 1284 (2009) ("[T]he doctrine of unclean hands relates to misconduct occurring before the lawsuit was filed, *not the bad faith filing or maintenance of an action.*") (emphasis added)).

This holding is further supported by the requirement that the "misconduct that brings the clean hands doctrine into play must *relate directly to the cause at issue.*" *Kendall-Jackson Winery, Ltd. v. Superior Ct.*, 76 Cal. App. 4th 970, 979 (1999). Here, the alleged misconduct, at most, relates to Plaintiff's efforts to pressure Defendant into a *new* contract; the misconduct is related neither to the formation of the contract Plaintiff attempts to enforce in this action nor to

Defendant’s conduct that gave rise to the alleged breach. By way of a contrasting example, had Plaintiff successfully pressured Defendant into entering a new contract through the “misconduct” in these emails and subsequently sued to enforce that *new* contract, then that “misconduct” *would* be directly related to that subsequent hypothetical contract claim. *See Royal Canadian Mut. Inv., Ltd. v. Home Depot U.S.A., Inc.*, 2003 WL 141360, at *1 (Cal. Ct. App. Jan. 21, 2003) (“[P]laintiff admits [that it] paid a bribe to obtain a contract from [defendant]. The doctrine of unclean hands bars a claim for damages on behalf of [plaintiff] when the contract failed to materialize.”). Under the present facts, however, the Court does not find that the emails at issue are relevant to the defense of unclean hands and, even if they held some *de minimis* relevance, their probative value would be substantially outweighed by the danger of confusing the issues or misleading the jury.

The Court, therefore, GRANTS Plaintiff’s MIL No. 2 to the extent the emails are being admitted to support Defendant’s unclean hands defense.

b. Notice and Discovery

Defendant also contends that these emails are relevant to the extent that they undermine Plaintiff’s assertion that it had no knowledge of Defendant’s breaching conduct prior to 2015, which is related to their statute of limitations defense. Def.’s Opp. MIL No. 2, at 4.

The Court finds that the emails in question—all of which were sent between 2008 and 2010—are relevant to the issue of Plaintiff’s discovery of Defendant’s conduct. For instance, the email dated October 16, 2008 and Bates stamped FOURTHDIMENSION_005049 mentions Defendant’s “old license and money obligations.” Though it is not clear what these obligations refer to, the Court cannot conclude that the reference to “old license . . . obligations” has no relevance to the question of when Plaintiff discovered Defendant’s over-licensing or sub-licensing conduct. Plaintiff argued at the hearing that these emails could not show knowledge of Defendant’s breach because Defendant’s use of license was private and non-public. However, the question of whether Defendant’s over-licensing and sub-licensing conduct was private or somehow made its way to Plaintiff’s ear is not one for the Court to decide on the cusp of trial.

Accordingly, the Court finds that the emails in question are relevant under Rule 401 to the

question of when Plaintiff discovered Defendant's breaching conduct.

Under Rule 403 balancing, the Court finds that there would be minimal prejudice if these emails are introduced solely to show Plaintiff's discovery of Defendant's breaches. However, the Court does find that the statements referencing the "good guy, bad guy approach" or otherwise implying the "extortion" theory underlying Defendant's unclean hands defense *would* be unfairly prejudicial to Plaintiff. For the reasons discussed in the subsection above, Defendant may not introduce these emails to support their unclean hands defense.

Finally, as to Plaintiff's hearsay objections, if these documents are only being introduced to prove Plaintiff's notice of "old license and money obligations" as opposed to the truth of the matter asserted, these statements are not hearsay. Fed. R. Evid. 801(c)(2). Plaintiff's MIL No. 2 is DEFERRED with respect to other specific statements contained within the emails at issue.

* * *

In sum, Plaintiff's MIL No. 2 is GRANTED IN PART and DENIED AND DEFERRED IN PART. The MIL is GRANTED and the emails in question are EXCLUDED for the purpose of establishing Plaintiff's motive for bringing this lawsuit or otherwise supporting the unclean hands defenses without first establishing the misconduct's direct relation to the breach of contract claim at issue here. However, the MIL is DENIED to the extent the emails will be introduced solely to establish Plaintiff's notice of Defendant's breaching conduct. Any specific hearsay objections as to a specific statement in these emails are DEFERRED until trial.

3. Plaintiff's MIL No. 3

Finally, Plaintiff also moves to exclude under FRE 401 and 403 certain documents pertaining to Plaintiff's financial condition, including profit and loss statements, cashflow statements, transaction details, shareholder lists, meetings and report notes, balance sheets, Statement of Assets and Liabilities, payroll taxes, financial forecasts, business and investment plans, and other financial documents. Pl.'s MIL No. 3, at 1, ECF No. 136. Defendant asserts four theories of relevance for this evidence: (1) Plaintiff's financial ability to fulfill its contractual obligations; (2) its ability to establish harm; (3) its ability to support its damages theory; and (4) its

1 motivations for filing this suit. Opp. Pl.'s MIL No. 3, at 5, ECF No. 161.

2 The Court finds that Plaintiff's financial condition is not relevant to Defendant's second,
3 third, and fourth theories of relevance, as enumerated above. Defendant does not explain why
4 Plaintiff's financial documents would support or undermine the theory of harm and lost profits—
5 indeed, the very premise of lost profits would suggest they do not appear in Plaintiff's financial
6 documents. Similarly, Defendant does not explain how Plaintiff's *internal* financial documents
7 would bear upon the "present-day *market* value" of its software for damages calculations. Opp.
8 Pl.'s MIL No. 3, at 4. And, as discussed above at Section I(A)(2)(a), Plaintiff's motivation for
9 bringing this suit is not relevant to the merits of the breach of contract claim or Defendant's
10 unclean hands defense, regardless of the timing of the suit.

11 With respect to Defendant's first theory of relevance (*i.e.*, that Plaintiff's finances would
12 be probative of its ability to perform maintenance obligations under the contract), the Court finds
13 that this theory is still too tenuous. To start, Defendant has not brought a counterclaim for an
14 alleged breach of Plaintiff's contractual obligations. Moreover, the Court is not persuaded that
15 financial straits would make it more or less probable that Plaintiff satisfied some undefined
16 obligation under the contract. In any event, any probative value that the financial documents may
17 have would be substantially outweighed by the prejudice of casting Plaintiff as a desperate and
18 struggling plaintiff.

19 Accordingly, Plaintiff's MIL No. 3 is GRANTED. Defendant is precluded from
20 introducing the exhibits referenced in Plaintiff's MIL No. 3 to show Plaintiff's financial
21 conditions or motives for bringing this action.

22 **B. Defendant's Motions**

23 Having considered the parties' briefing and oral arguments on these motions, the Court
24 rules on Defendant's MILs, as follows:

25 **1. Defendant's MIL No. 1**

26 Defendant first moves to preclude Plaintiff from referencing the adverse jury instruction
27 Judge Breyer ordered until after the close of evidence. Def.'s MIL No. 1, at 2, ECF No. 142.

1 Having reviewed the parties' positions and heard the parties' oral arguments, the Court believes
2 that reasonable limitations on the reference to the adverse instruction are warranted.

3 Opening Statements: Defendant agrees that Plaintiff should be permitted to state that the
4 evidence will show that user logs were missing and that Defendant failed to preserve the user logs.
5 Def.'s MIL No. 1, at 3–4. The Court will additionally permit Plaintiff to reference Defendant's
6 duty to preserve those records, as well as to describe generally what those records are. Plaintiff
7 may also provide a general overview of the trial process, including the jury instructions and the
8 fact that the instructions may include presumptions the jury may draw from the evidence.

9 However, the Court will not permit Plaintiff to discuss the substance and mechanics of the
10 adverse jury instruction in opening statements. For instance, Plaintiff may not reference the fact
11 that the jury may presume the missing evidence was unfavorable or that the missing records
12 contained evidence of Defendant's breach. *See id.* at 3–4. Plaintiff also may not inform the jury
13 that Judge Breyer had ordered an adverse inference instruction be given.

14 Examination: With respect to witness examinations, Plaintiff may ask witnesses about the
15 underlying facts relating to the spoliation, such as whether Defendant produced all records, why it
16 failed to produce certain records, and whether and why Defendant deleted certain records.

17 Plaintiff, however, may not reference the adverse inference instruction itself or any of the
18 legal conclusions that Judge Breyer made in ordering the instruction during any examination.

19 Subject to the principles and examples above, Defendant's MIL No. 1 is GRANTED IN
20 PART and DEFERRED IN PART as to any examples that fall outside of those specifically
21 referenced above.

22 **2. Defendant's MIL No. 2**

23 Defendant's second MIL seeks to exclude certain correspondence between the parties'
24 counsel that occurred shortly before this action was filed. Def.'s MIL No. 2, at 2, ECF No. 143.
25 During oral arguments, Plaintiff represented that it did not intend to introduce these documents
26 unless Defendant attempts to re-litigate Judge Breyer's spoliation findings and suggested that
27 there may not be a dispute as to these documents.

Defendant's MIL No. 2 is GRANTED. The settlement communications identified in Defendant's MIL No. 2 shall be EXCLUDED from trial except for impeachment purposes.

3. Defendant's MIL No. 3

Defendant moves to exclude certain meeting notes drafted by Plaintiff's employee pertaining to a call between employees of third-party Aovo and Plaintiff. Def.'s MIL No. 3, at 2, ECF No. 144. Defendant's MIL is based on double hearsay not subject to any exception.

a. First Layer Hearsay: Meeting Notes

The first hearsay issue with this document arises from the fact that it purports to be the written recollections of Katherine Hamilton regarding a meeting she had attended. The Court finds that this first hearsay layer falls under the "present sense impression" exception to hearsay, which permits statements "describing or explaining an event or condition, made while or immediately after the declarant perceived it." Fed. R. Evid. 803(1).

The meeting notes appear to have been contemporaneously drafted by Ms. Hamilton as she was attending and listening to the meeting, and she subsequently circulated her notes to Plaintiff's attendees. Defendant's only objection to the applicability of the "present sense impression" exception is that Ms. Hamilton's notes were circulated an hour later, which it argues is too long of a period for the exception to apply. This analysis, however, misunderstands how this time period should be measured. Though she circulated her notes an hour after the meeting, Ms. Hamilton did not wait an hour before *writing* the notes; she had taken the notes contemporaneously as participants were speaking. *See* Bari Decl. ¶ 2, Ex. A ("Hamilton Dep.") 122:23–123:8; *see United States v. Perl*, 492 F. App'x 37, 40 (11th Cir. 2012) (affirming application of the present sense impression exception where "notes were taken contemporaneously with the telephone conversations with the [declarants]"); *Tracinda Corp. v. DaimlerChrysler AG*, 362 F. Supp. 2d 487, 502 (D. Del. 2005) (applying the exception where scrivener was "present at these meetings and discussions, and while he was not asked to be a stenographer for the meeting, he contemporaneously recorded what transpired"). The relevant time period, therefore, between Ms. Hamilton's perception and her written statements would likely be mere seconds, well within the

1 contemplation of the “present sense impression” hearsay exception.

2 To the extent Defendant suggest that the hour between the meeting’s adjournment and the
3 notes’ circulation gives rise to untrustworthiness, a quick review of the meeting notes would put
4 such concerns to rest. Ms. Hamilton’s meeting notes are written akin to a transcript, with each
5 declarant’s statements designated by initials—nowhere does it appear that the scrivener has
6 injected her own interpretations or reflections. *Cf. In re Cirrus Logic Sec. Litig.*, 946 F. Supp.
7 1446, 1469 (N.D. Cal. 1996) (rejecting present sense impression exception for meeting notes
8 where declarant “testified that his notes contain his interpretations and analyses of conversations
9 with Cirrus executives”). Furthermore, there are minor typographical and punctuation errors that
10 reinforce the inference that the notes were taken quickly with only minimal correctional edits.

11 Because the meeting notes here were written likely mere seconds after the relevant
12 participants had uttered their statements, reflect a memorialization of the conversations during the
13 meeting in question, and do not exhibit any indication of Ms. Hamilton’s own interpretations, they
14 fall within the “present sense impression” exception to hearsay. *See, e.g., Neumeyer v. Wawanesa*
15 *Gen. Ins. Co.*, 2015 WL 1924981, at *5 (S.D. Cal. Apr. 24, 2015) (“Notes taken during meetings
16 are admissible as present sense impressions under Federal Rule of Evidence 803(1).”); *Steffens v.*
17 *Regus Grp., PLC*, 2013 WL 4499112, at *18 (S.D. Cal. Aug. 19, 2013) (collecting cases holding
18 that “notes from a conversation or meeting *may* satisfy the present sense impression exception”).
19 The meetings notes, therefore, may not be excluded based on the first layer of hearsay.

20 **b. Second Layer Hearsay: Participants’ Statements**

21 The second hearsay issue relates to the statements attributed to the participants of the
22 meeting, most notably the representatives from Aovo, Gerhard Griebler and Thomas Krell. As an
23 initial matter, the Court agrees that nearly the entirety of Ms. Hamilton’s notes are hearsay
24 statements, as the notes specifically attribute certain statements to certain speakers. Accordingly,
25 these statements are not admissible unless they fall within a hearsay exception or are used for non-
26 hearsay purposes.

27 The Court finds that certain statements attributed to the Aovo representatives fall within

the hearsay exception for “then-existing state of mind (such as motive, intent, or plan).” Fed. R. Evid. 803(3). For example, Pavolotsky asks Griebler, “what are your *plans*,” to which Griebler responds, “[w]e *plan* to use Phoenix as long as it supports all of our business.” Medlong Decl., Ex. 1, FOURTHDIMENSION_003580 (emphasis added). Under the Rule 803(3) exception, these statements may be used to establish that Griebler did, in fact, intend to “use Phoenix as long as it supports all of [his] business,” as of March 2, 2016, the date of the meeting. Other statements that would fall under this exception include Krell’s remark that “[r]ight now we are just looking for licenses for EPSPEW,” Krell’s statement that they “want to move over to Phoenix Unlimited from Phoenix Class. And we want to give Classic to clients,” and Griebler’s statement that they “would cancel all contracts next year. We want to make deal now [*sic*] and you can connect directly with our clients for maintenance licensing.” *Id.*, at FOURTHDIMENSION_003580–3582; *see also*, *e.g.*, *Cousens v. Transamerica Life Ins. Co.*, 2023 WL 3564936, at *4 (C.D. Cal. Apr. 18, 2023) (“[Plaintiff’s] account of her father’s statement of his plan—to mail the insurance check—therefore, is admissible to demonstrate that [he] left the house intending to mail the check.”); *Arevalo v. Chipotle Servs., LLC*, 2016 WL 7045606, at *1 (C.D. Cal. Mar. 7, 2016) (“[T]o the extent plaintiff were to introduce testimony that he told friends, relatives, and other individuals that he intended to complain about his alleged harassment to his supervisors, such testimony is relevant to demonstrate defendants state of mind—*i.e.*, that, at least at the time he made these statements, plaintiff intended to complain to his supervisors.”). These statements all purport to describe the declarants’ future business plans and, therefore, may be used to show that the declarants had such plans on March 2, 2016.

However, notwithstanding the statements of the meeting participants’ future plans, Ms. Hamilton’s notes also contain many statements that do *not* speak to future plans or intentions. For instance, the notes reflect statements regarding Aovo’s origins and past business operations with Defendant. *See* Medlong Decl., Ex. 1, FOURTHDIMENSION_003581 (“In 2000 or so Phoenix Classic was released to us from DER. . . . We have many contracts from DER and those kick out in the software. We have overlooked licensing for these products.”). These statements do not fall

under the state-of-mind exception, as they are statements of memory recalling events in the past. *See* Fed. R. Evid 803(3) (barring the use of a “statement of memory . . . to prove the fact remembered”). Other than the state-of-mind exception, Plaintiff has not identified any other hearsay exception that would apply to the meeting participants’ hearsay statements.² Accordingly, any statements in Ms. Hamilton’s notes that do *not* relate to the declarant’s then-existing state of mind, intent, or plans are inadmissible hearsay.

* * *

In summary, Defendant’s MIL No. 3 is DENIED IN PART. Plaintiff may use the statements in the meeting notes to establish the declarants’ then-existing state of mind, motive, intent, or plan per Rule 803(3). However, Defendant’s MIL No. 3 is GRANTED as to all other statements in the meeting notes and DEFERRED IN PART as to any specific statements or other hearsay exceptions that Plaintiff may raise at trial.

4. Defendant’s MIL No. 4

Defendant’s fourth MIL seeks to preclude Plaintiff from offering testimony or posing questions relating to “unasserted claims,” *e.g.*, trade secret misappropriation, copyright infringement, or violation of a non-compete obligation. Def.’s MIL No. 4, at 2, ECF No. 145.

Defendant’s requested exclusion is largely in the abstract, as this MIL does not specify any particular document, testimony, or evidence that Defendant seeks to exclude. Plaintiff has also represented—both in its responsive brief and at oral arguments—that it intends to only address issues pertaining to the breach of contract, not any unasserted claims. As this stage, the Court declines to engage in any preemptive *a priori* evidentiary determinations and DEFERS ruling on this issue until a concrete objection to specific evidence has been made at trial.

5. Defendant’s MIL No. 5

Finally, Defendant moves to preclude any new evidence from Plaintiff to excuse its delay

² Although Plaintiff also invokes the Rule 807 residual hearsay exception, they only apply it to the first layer of hearsay as to Ms. Hamilton’s notes and not to the hearsay arising from the meeting participants’ statements. Opp. Def.’s MIL No. 3, at 6.

1 in bringing this suit. Def.’s MIL No. 5, at 2, ECF No. 146. Specifically, Defendant contends that
 2 Plaintiff “should be held to its testimony that the only new fact that allegedly came to light in 2016
 3 was that it learned of DTDE’s hosting of software for Aovo.” *Id.*

4 Defendant again appears to be bringing a preemptive evidentiary objection without any
 5 specific evidence or testimony it is seeking excluded. Although Defendant’s MIL quotes
 6 extensively from Ms. Hamilton’s deposition, Defendant does not seek to exclude any existing
 7 testimony but rather objects to some undefined new theory that Plaintiff may or may not advance.
 8 At this time, such a line is too nebulous and speculative for the Court to evaluate in the abstract.

9 Accordingly, the Court will DEFER ruling on this issue until it rears its head at trial.
 10 However, the Court acknowledges Defendant’s fairness concerns and will remind the parties of
 11 the Court’s discretion to “fashion remedies to prevent surprise and unfairness” at trial. *Columbia*
 12 *Pictures Television, Inc. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1196 (9th Cir.
 13 2001) (quoting William A. Schwarzer, *et al.*, *Federal Civil Procedure Before Trial*, ¶ 11:37 at 11–
 14 29 (2000)).

15 **II. MOTION TO EXCLUDE PLAINTIFF’S EXPERT, DR. ERIC COLE**

16 Defendant moves to exclude the damages opinion of Plaintiff’s expert Dr. Eric B. Cole
 17 based on its unreliability per Rule 702 and *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579
 18 (1993). Mot. Exclude Dr. Eric Cole (“*Daubert* Mot.”), ECF No. 131. Defendant also argue that
 19 Dr. Cole’s opinions should be excluded under Rule 403.

20 **A. Legal Standard**

21 Courts act as gatekeepers of expert testimony to ensure that such testimony is reliable and
 22 relevant under Federal Rule of Evidence 702. *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 147
 23 (1999); *see also Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993). The proponent of
 24 expert testimony has the burden of proving admissibility. *In re Korean Ramen Antitrust Litig.*,
 25 281 F. Supp. 3d 892, 931 (N.D. Cal. 2017) (citations omitted). Before an expert can offer her
 26 opinions, she must be qualified by “knowledge, skill, experience, training, or education.” Fed. R.
 27 Evid. 702. Once she is qualified, Rule 702 permits her to testify as long as “(a) the expert’s

scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.” *Id.* This multifactor inquiry is flexible, and “Rule 702 should be applied with a ‘liberal thrust’ favoring admission.” *Wendell v. GlaxoSmithKline LLC*, 858 F.3d 1227, 1232 (9th Cir. 2017) (citations omitted).

B. Dr. Cole’s Expert Opinions

Although Dr. Cole has provided two opinions for this matter, Defendant is primarily focused on Dr. Cole’s calculation of damages and valuation of lost licensing fees. *See* Expert Report Eric B. Cole (“Cole Report”) ¶ 22, ECF No. 131-1. Dr. Cole provides two charts, each containing three projected models for damages: Chart 1 applies to the EasyClient Run-Time software, which is licensed per user; and Chart 2 relates to the other three software (EasyClient Designer, EasyPath, SafePath) that are licensed on an enterprise or per company basis. *See* Cole Report, Charts 1, 2, ECF No. 131-1, at 26–27.

With respect to Dr. Cole’s damages calculation for the “per user” EasyClient Run-Time licenses, he begins with the base monthly software cost per license, calculated as 1.5% of the license’s list price. He then progressively increases the license cost over the years based on an “estimate . . . of the increase of users each year.” Cole Report ¶ 51. Dr. Cole relies on information from Defendant’s website to estimate the number of travel agents it employed and assumes that all agents would require a license. Cole Report ¶ 55(C). In his mid-range (Model 2A) and high-end (Model 3A) projections for the “per user” license, Dr. Cole increases the base license costs over time from \$100 to anywhere between \$200 and \$500, noting that “[i]t is common for licenses to increase based on the growth of the company” and “[i]t is common for the price to increase year over year.” Cole Report, Chart 1.

With respect to Dr. Cole’s calculations for the “per company” licenses, he also begins with the base price of the software and then “a certain percent is used to increase the price year by year for the licensed software as well as maintenance fees.” Cole Report ¶ 51. Dr. Cole notes that

“[t]here is no formal standard used across the industry but based on my extensive experience, this is the standard approach that is used by most companies.” *Id.* Dr. Cole’s conservative Model 1B calculates the lost licensing fees as Defendant originally paid for them; his mid-range Model 2B calculates the licenses based on a “Published Adjusted Present Day Value” based on a 2016 licensing proposal that Plaintiff had extended to Aovo; and the high-end Model 3B “multiplies the license by four to account for the growth of the company.” Cole Report, Chart 2.

C. Discussion

As an initial matter, the Court finds that Dr. Cole is sufficiently qualified to provide an opinion on software license valuations and damage calculations. Although Defendant makes a passing argument in its Reply that Dr. Cole is only qualified as a cybersecurity expert and not a damages expert, the Court finds that Dr. Cole has substantial industry experience in “evaluating software and determining the licensing and value of that software” and has “been actively involved in many negotiations involving the value and fair price of software.” Cole Report ¶¶ 5–6. This is sufficient to qualify Dr. Cole as an expert, at minimum, by experience.

1. Pricing Methodology

Defendant first takes issue with Dr. Cole’s reliance on a “2016 Licensing Agreement” and how he calculated the value of Plaintiff’s software, specifically the year-over-year (“YOY”) increases in software price.

The Court finds that Dr. Cole’s reliance on the “2016 Licensing Agreement” does not warrant exclusion of his opinions or damage calculations. Defendant’s concerns with soundness of the 2016 Licensing Agreement’s figures are well-taken, but weaknesses in an expert’s factual underpinning go to the opinion’s weight, not its admissibility. *See, e.g., Bergen v. F/V St. Patrick*, 816 F.2d 1345, 1352 (9th Cir. 1987) (“The relative weakness or strength of the factual underpinnings of the expert’s opinion goes to weight and credibility, rather than admissibility. The weakness in the underpinnings of [expert] opinions may be developed upon cross-examination and such weakness goes to the weight and credibility of the testimony.”) (internal citation omitted); *Richan v. Fleetwood Motor Homes*, 2010 WL 11519497, at *5 (C.D. Cal. Dec.

9, 2010) (“Although a court may exclude expert opinions that are merely conclusory assertions, unsupported by specific facts, it has been held that an expert’s failure to consider certain facts ‘bear[s] on the weight of the evidence rather than on its admissibility.’”) (internal citation omitted). Defendant is free to cross-examine Dr. Cole’s reliance on the 2016 Licensing Agreement, but the Court will not exclude his opinions based on this reliance alone.

Turning next to the bases for Dr. Cole’s YOY increases in software price, the Court finds that the specific incremental price increases are not the product of a reliable method. Dr. Cole explains that these incremental increases in the cost of a license are “based on [his] extensive experience” and account for “natural increases in the cost of a license and appropriate maintenance and update fees.” Cole Report ¶ 51. Although this would be sufficient to support an opinion that YOY increases in license prices are typical in the software industry, it does not set forth a method—reliable or otherwise—for determining the *quantum* of those increases. Dr. Cole simply states that “a certain percent is used to increase the price year by year” (Cole Report ¶ 51), but he never specifies what that percentage is or how it is derived. For instance, Dr. Cole’s Model 3A inexplicably begins at \$300 for the software price (a \$200 increase from the price Defendant originally paid for the license), which increases to \$400 in 2007, and increases again to \$500 in 2013.³ Cole Report, Chart 1, Model 3A. The Court recognizes that Dr. Cole purportedly estimated the price increase for his Model 3A “[b]ased on the proposed 2016 licensing agreement.” Cole Report, Chart 1. However, even if he began with two data points (*i.e.*, the original prices Defendant paid and the prices in the 2016 proposal), Dr. Cole fails to explain how he extrapolated from those figures to the specific incremental price increases in Model 3A.

This unexplained extrapolation also appears in Dr. Cole’s “Published Adjusted Present Day Value” used in Models 2B and 3B in his Chart 2, which he supports by simply stating “[t]his model is based off of the prices from the 2016 license proposal.” Cole Report, Chart 2, Models

³ Dr. Cole’s Model 2A also reflects a software price increase from \$100 to \$200, but the Court finds this increase to be reliable and tolerable under Rule 702, as \$200 was the original undiscounted list price for the EasyClient Run Time software. See Coel Report ¶ 55.

2B, 3B. Without any description or explanation of how Dr. Cole arrived at these figures, the Court cannot discern *any* method that Dr. Cole used, much less evaluate the method’s reliability.

While Dr. Cole very well may have had the experience and knowledge to develop such a method, even a “supremely qualified expert cannot waltz into the courtroom and render opinions unless those opinions are based upon some recognized scientific method.” *Timm v. Goodyear Dunlop Tires N. Am., Ltd.*, 932 F.3d 986, 994 (7th Cir. 2019). The Court finds that Dr. Cole’s reliance on the “2016 Licensing Agreement” does not render his opinions inadmissible, but his failure to demonstrate that his projected software price increases are “the product of reliable principles and methods” does warrant exclusion. Accordingly, the Court GRANTS Defendant’s motion to exclude Dr. Cole’s opinions on the quantum of software price increases over time, including his damages calculations in Models 3A, 2B, and 3B of his expert report.

2. User Metrics Methodology

Defendant also challenges Dr. Cole’s opinions and methodologies in calculating users of Plaintiff’s software. Specifically, it argues that Dr. Cole made erroneous assumptions, failed to account for fluctuations, and failed to consider the disputed contract language. *Daubert* Mot. 8–9.

The Court finds that, to the extent Defendant takes issues with the assumptions or lack thereof undergirding Dr. Cole’s opinions on user metrics, those arguments again bear upon the opinions’ weight, not admissibility. *See supra* Section II(C)(1). Dr. Cole’s opinions as to the number of users that would require licenses are based on figures taken from Defendant’s own website. Cole Report, at 17 nn. 35–37. He then imports those figures into his calculations without modification in Model 2A, despite noting that those figures are likely conservative. *Id.* The Court finds that this a sufficiently reliable method for determining the number of additional licenses that Defendant would have had to purchase for the purposes of Rule 702. Defendant will be free to cross-examine Dr. Cole’s choice of data, but his direct use of Defendant’s own publicly available data does not warrant exclusion for unreliability.

Accordingly, the Court will not exclude the portions of Dr. Cole’s Chart 1 that set forth the incremental increases in the number of Defendant’s agents that would require licenses.

3. Opinions on Legality and State of Mind

Defendant also moves to exclude the portions of Dr. Cole's report that opine on issues beyond the scope of his expert testimony, such as whether Defendant "illicitly sublicensed" Plaintiff's software or as to Defendant's state of mind in deleting user logs. *Daubert* Mot. 9–10.

The Court agrees with Defendant that Dr. Cole may not issue expert opinions on the legality of Defendant's actions or Defendant's state of mind. Furthermore, at oral argument, Plaintiff's counsel represented that Dr. Cole's opinion regarding the intentionality of Defendant's spoliation will not be referenced unless Defendant attempts to re-litigate Judge Breyer's findings. The Court accepts Plaintiff's representations and, therefore, will GRANT Defendant's motion to exclude the portions of Dr. Cole's report opining on the legality of Defendant's actions or Defendant's state of mind.

4. Overall Reliability

Finally, Defendant assails Dr. Cole's expert report with a smattering of reliability arguments, such as his general remarks regarding industry practices and his failure to consider the full record in forming his opinions. *Daubert* Mot. 11–13. The Court will note again that weaknesses in the factual bases for Dr. Cole's opinions may be attacked on cross-examination but do not warrant exclusion on a *Daubert* motion. *See supra* Section II(C)(1).

Defendant also highlights Dr. Cole's calculation error in failing to offset the amounts that Defendant had already paid in his damages calculation. *Daubert* Mot. 7–8. At oral arguments, Plaintiff's counsel conceded that proper damages calculations should account for the amounts that Defendant already paid and that they intend to present evidence or witnesses that would provide corrected figures and calculations. The Court, therefore, concludes that no further action would be necessary regarding Dr. Cole's offset calculation at this time.

* * *

In summary, Defendant's motion to exclude Dr. Cole's expert testimony is GRANTED IN PART and DENIED IN PART. The motion is GRANTED as to Dr. Cole's opinions on how much Plaintiff's software and license prices would increase between 2000 and 2018, as well as the

1 damages calculations in Models 3A, 2B, and 3B. The motion is also GRANTED as to Dr. Cole's
2 opinions regarding the legality of Defendant's conduct and Defendant's state of mind.

3 Defendant's motion is DENIED as to Dr. Cole's reliance on the "2016 Licensing
4 Agreement," his opinions on the increase in user numbers, and Defendant's remaining criticisms
5 as to Dr. Cole's overall reliability.

6 **III. REQUEST FOR JUDICIAL NOTICE**

7 At oral arguments, the parties informed the Court of Defendant's pending request for
8 judicial notice, filed on October 6, 2021, in support of its motion for summary judgment. Def.'s
9 Request Judicial Notice ("RJN Mot."), ECF No. 74. In that request, Defendant sought judicial
10 notice of eight exhibits, and Plaintiff opposed judicial notice of Exhibits 1–5.⁴ *Id.*; ECF No. 86.
11 On December 15, 2021, Judge Breyer denied Defendant's motion for summary judgment and
12 referenced the request for judicial notice; however, the Order did not directly grant or deny the
13 request for judicial notice. ECF No. 92.

14 Per Federal Rule of Evidence 201, the Court may take judicial notice of a "fact that is not
15 subject to reasonable dispute because it: (1) is generally known within the trial court's territorial
16 jurisdiction; or (2) can be accurately and readily determined from sources whose accuracy cannot
17 reasonable be questioned." Fed. R. Evid. 201(b). Having reviewed the parties' briefs and the
18 exhibits for which Defendant seeks judicial notice, the Court rules as follows:

19 Exhibits 1–3, BaFin's statements of German law: Defendant requests judicial notice of
20 three webpages from the German Financial Supervisory Authority ("BaFin") that set forth the
21 prospectus obligations for companies that offer securities to the public.

22 Per Federal Rule of Civil Procedure 44.1, "[i]n determining foreign law, the court may
23 consider any relevant material or source." Indeed, the Ninth Circuit has held that "because foreign
24 law interpretation and determination is a question of law, independent judicial research does not
25 implicate the judicial notice and *ex parte* issues spawned by independent factual research
26

27 ⁴ The Court GRANTS Defendant's unopposed request for judicial notice as to Exhibits 6–8.
28 Case No.: [5:19-cv-05561-EJD](#)
ORDER RE: MOTIONS *IN LIMINE*, *DAUBERT* MOTION, AND RJN

undertaken by a court.” *de Fontbrune v. Wofsy*, 838 F.3d 992, 999 (9th Cir. 2016). Here, the Court finds that the German regulations as reflected in the official BaFin webpages can be accurately and readily determined from BaFin, a source whose accuracy on German securities law cannot reasonably be questioned.

Plaintiff’s opposition does not truly take issue with or dispute the accuracy of German securities regulations; rather, it simply paints Defendant’s Exhibits 1–3 as “an attempt to prove that Aovo’s use of Phoenix was a matter of public record.” Pl.’s Opp’n Request Judicial Notice (“RJN Opp.”), at 3, ECF No. 86. However, taking judicial notice of publicly available German law is distinct from the factual question of whether Aovo’s conduct was public record.

Accordingly, the Court GRANTS Defendant’s request and takes judicial notice of the German law contained in Exhibits 1–3. However, the Court does not adopt the corresponding facts and summaries that Defendant provided in its request. See RJN Mot. 1–3.

Exhibits 4–5, Aovo’s Prospectus and English translation: Defendant also seeks judicial notice of the fact that Aovo filed a public corporate prospectus on November 29, 2006, concurrently with its initial public offering. RJN Mot. 2–3.

The Court finds that the fact that, on November 29, 2006, Aovo filed a prospectus with German regulators is one that is not subject to reasonable dispute because it “can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 201(b). Accordingly, the Court will take judicial notice of the fact that Aovo filed the prospectus provided in Exhibits 4 and 5, as well as the fact that Aovo made the statements contained therein. These are facts that Plaintiff cannot reasonably dispute.

However, the Court will not—and cannot—take judicial notice of the truth of statements made in the prospectus, nor will it assume any facts as to notice or constructive notice arising from the prospectus’s filing. See, e.g., *Russian Hill Cap., LP v. Energy Corp. of Am.*, 2016 WL 1029541, at *3 (N.D. Cal. Mar. 15, 2016) (taking judicial notice of prospectuses “as public records to the extent that they show Defendant [] made the statements contained therein” but declining to “assume the truth of those statements to the extent that Plaintiff might contest their veracity”).

Accordingly, the Court GRANTS Defendant's request for judicial notice as to Exhibits 4 and 5. The Court takes judicial notice of Aovo's filing of its prospectus and the fact that it had made statements contained therein. However, the Court will *not* take judicial notice and does not assume any fact regarding the truth of the prospectus's statements or any notice the prospectus may have provided.

IV. CONCLUSION

Based on the foregoing, the Court rules on the parties' MILs, Defendant's *Daubert* motion, and Defendant's request for judicial notice, as follows:

1. Plaintiff's MIL No. 1 is DENIED;
2. Plaintiff's MIL No. 2 is GRANTED IN PART and DENIED and DEFERRED IN PART;
3. Plaintiff's MIL No. 3 is GRANTED;
4. Defendant's MIL No. 1 is GRANTED IN PART and DEFERRED IN PART;
5. Defendant's MIL No. 2 is GRANTED;
6. Defendant's MIL No. 3 is GRANTED IN PART and DENIED IN PART;
7. Defendant's MIL No. 4 is DEFERRED until trial;
8. Defendant's MIL No. 5 is DEFERRED until trial;
9. Defendant's Motion to Exclude Dr. Eric Cole is GRANTED IN PART and DENIED IN PART;
10. Defendant's Request for Judicial Notice is GRANTED.

IT IS SO ORDERED.

Dated: August 18, 2023



EDWARD J. DAVILA
United States District Judge